

~~TOP SECRET~~

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NSA review completed

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FM THE SITUATION ROOM//TOHAK 175//
TO BREMER/COMPART FOR THE SECRETARY
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TOHAK 175

PASS TO BREMER/COMPART FOR THE SECRETARY

NOVEMBER 6, 1974

MEMORANDUM FOR SECRETARY KISSINGER
FROM: THE SITUATION ROOM
SUBJECT: NOON NOTES

UK MAY ENDORSE SOVIET FORCE REDUCTION: THE BRITISH ARE THREATENING TO BREAK RANKS WITH THEIR NATO ALLIES ON A TROOP REDUCTION PROPOSAL TO BE INTRODUCED BY THE SOVIETS AT THE MUTUAL FORCE REDUCTION TALKS TOMORROW. THE NEW SOVIET PROPOSAL, OFFERED INFORMALLY ON OCTOBER 15, CALLS FOR A REDUCTION IN 1975 OF 8,000 MEN ON EACH SIDE, ALONG WITH THEIR ARMS AND COMBAT EQUIPMENT. U.S. AND SOVIET FORCES WOULD BE REDUCED BY 18,000 MEN EACH. WEST GERMANY AND POLAND WOULD EACH REDUCE THEIR FORCES BY 5,000 MEN; THE REMAINDER WOULD BE ABSORBED BY THE OTHER DIRECT PARTICIPANTS IN THE TALKS. U.S. AND SOVIET REDUCTIONS WOULD BE TAKEN IN THE FIRST HALF OF 1975, THE OTHERS IN THE SECOND HALF.

THE BRITISH AGREE WITH INFORMAL ALLIED CRITICISM THAT THE SOVIET PROPOSAL DOES NOT RECOGNIZE THE SUPERIOR NUMBERS OF WARSAW PACT GROUND FORCES AND TANKS IN CENTRAL EUROPE AND DOES NOT TAKE SUFFICIENTLY INTO ACCOUNT THE FUNDAMENTAL DIFFERENCES BETWEEN THE U.S. AND THE USSR ON THE ONE HAND AND THE REMAINING DIRECT PARTICIPANTS ON THE OTHER. THEY ARGUE THAT THE SOVIET PROPOSAL SHOULD NOT BE DISMISSED OUT OF HAND. THEY ARE PROBABLY RELUCTANT TO SHUT THE DOOR ON THE PROPOSAL SINCE IT COULD JUSTIFY A RAPID AND SUBSTANTIAL REDUCTION IN BRITISH FORCES.

SOVIET GRAIN HARVEST: REUTER REPORTS THAT GROMYKO ANNOUNCED TODAY THAT THE 1974 GRAIN HARVEST WOULD BE THE SECOND HIGHEST IN SOVIET HISTORY. HE LEFT OPEN THE POSSIBILITY THAT IT WAS BELOW THE TARGET FIGURE OF 285.6 MILLION METRIC TONS.

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ON-FILE NSC RELEASE INSTRUCTIONS APPLY

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SHORT-TERM INTEREST RATES FOR MOST EUROCURRENCIES DROP;
SHORT-TERM INTEREST RATES FOR MOST EUROCURRENCIES HAVE
DROPPED IN RECENT WEEKS BECAUSE OF THE WIDESPREAD ECONOMIC
SLOWDOWN, THE RELAXATION OF U.S. MONETARY POLICY, AND THE
CONTINUING ARRIVAL OF OIL MONEY. THE EURODOLLAR HAS LED
THE DECLINE, SLIPPING FROM 14 TO 13 PERCENT. GROWTH OF
BANK LOANS HAS SLOWED IN MOST EUROPEAN COUNTRIES, AND THE
LARGER BANKS HAVE BECOME MORE SELECTIVE IN EXTENDING CREDIT.
SHORT-TERM INTEREST RATES HAVE DROPPED IN THE NETHERLANDS.
WEST GERMAN RATES MAY SOON FALL; THE BUNDESBANK CUT SOME
SHORT-TERM RATES BY HALF A PERCENTAGE POINT LATE LAST MONTH.
CENTRAL BANKS PROBABLY ARE TOLERATING OR EVEN ENCOURAGING
AN EASING OF SHORT-TERM INTEREST RATES IN AN EFFORT TO KEEP
THEIR CURRENCIES FROM BECOMING OVERLY ATTRACTIVE RELATIVE
TO THE DOLLAR. THE AIM OF MAINTAINING COMPETITIVE TRADE
POSITIONS THUS CONFLICTS WITH ANTI-INFLATION GOALS. MOST
EUROPEAN CENTRAL BANKERS HAVE INDICATED THEY WANT TO CON-
TINUE TIGHT MONETARY POLICIES, BUT IF DOLLAR RATES CONTINUE
TO DECLINE THE BANKERS PROBABLY WILL PERMIT LOWER INTEREST
RATES TO LIMIT UPWARD PRESSURE ON THEIR CURRENCIES.
THE NEW YORK TIMES

WILLIAM ROBBINS, IN THE ONLY NON-ELECTION ITEM ON THE FRONT
PAGE, ANALYZES YOUR WORLD FOOD CONFERENCE SPEECH. SPECIFICALLY,
THE ADDRESS WAS BROKEN DOWN INTO ITS FIVE MAJOR PARTS HIGH-
LIGHTED BY YOUR ADVOCATION OF THREE NEW INTERNATIONAL BODIES
TO COORDINATE EFFORTS TO AVERT FAMINE AND RENEWED INTERNA-
TIONAL TENSIONS. (1)

HENRY TANNER REPORTS THAT YOU ARRIVED IN CAIRO LAST EVENING
TO FIND OUT WHETHER FURTHER U.S. MEDIATION EFFORTS IN THE
MIDDLE EAST WERE STILL WELCOME. (3)

PREMIER RABIN TOLD PARLIAMENT TODAY THAT ISRAEL COULD NOT
ACCEPT THE DECISION OF THE ARAB LEADERS LAST WEEK TO RECOG-
NIZE THE PLO AS THE SOLE LEGITIMATE REPRESENTATIVES OF THE
PALESTINIAN PEOPLE. (3)

CRAIG WHITNEY REPORTS THAT SECRETARY SCHLESINGER CALLED ON
THE EUROPEAN ALLIES OF THE U.S. YESTERDAY TO ADD TO ALLIED
STRENGTH TO MATCH THE INCREASES IN THE MILITARY POWER OF
THE WARSAW PACT COUNTRIES. (4)

FOX BUTTERFIELD REPORTS THE SOUTH KOREAN ARMY ANNOUNCED
YESTERDAY THAT IT HAD ROUNDED UP 16 PERSONS SUSPECTED OF
INVOLVEMENT IN A COMMUNIST ESPIONAGE RING BASED IN JAPAN.
(6)

CRISTOPHER WREN WRITES THAT AMBASSADOR STOESSSEL'S DAILY

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PRESENCE SEATED NEXT TO YOU AT THE NEGOTIATING TABLE DURING YOUR RECENT TALKS WITH BREZHNEV WAS A MEASURE OF YOUR CONFIDENCE IN HIM AND THE SUBSEQUENT ACCESS THAT THE AMBASSADOR HAS GAINED TO THE KREMLIN LEADERSHIP. (8)

JOHN FINNEY REPORTS THAT DEFENSE DEPARTMENT OFFICIALS SAY THEY BELIEVE THAT RECENT SOVIET ACTIONS RAISE QUESTIONS WHETHER MOSCOW IS CAMOUFLAGING SOME OF ITS STRATEGIC WEAPONS PROGRAMS IN VIOLATION OF THE 1972 AGREEMENT WITH THE U.S. ON OFFENSIVE NUCLEAR ARMS. (9)

BERNARD GWERTZMAN REPORTS THAT YOU HELD A SURPRISE BREAKFAST MEETING WITH THE GREEK FOREIGN MINISTER IN ROME TODAY TO DISCUSS A POSSIBLE CYPRUS COMPROMISE THAT MIGHT BEGIN TO EMERGE FROM YOUR TRIP TO TURKEY LATER THIS WEEK. (11)

PAUL HOFMANN WRITES THAT MONGOLIA, IN A MOVE BELIEVED TO HAVE BEEN INSPIRED BY MOSCOW, CALLED ON CHINA TODAY TO ACCEPT A SOVIET OFFER OF AN AGREEMENT RENOUNCING THE USE OF FORCE IN SOVIET-CHINESE RELATIONS. (12)

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